



## **State of Ohio FY 2012-2013 Budget Proposals Impact & Implications to the City of Cleveland**

### **EXECUTIVE SUMMARY**

The Governor's budget, as currently proposed, breaks a long honored covenant between the State of Ohio and Ohio's local governments dating back to 1935, when the state sales tax was first enacted. That measure enabled local governments to provide essential services to its citizens that otherwise could not be provided due to a devastating economic downturn and severe cuts in local revenue from real property taxation.

At a time reminiscent of the local government fund's very creation, the actions contained in the proposed budget will cripple the local government's ability to respond to the needs of its citizens. It usurps tax revenue originating from the local government for the subsidy of state operations far from those citizens and communities that bore the burdens of taxation. By these actions, the Governor's proposed budget has violated the spirit of uniformity, apportionment, and notions of fairness, all of which serve as the bedrock of Ohio's constitutional structure and more importantly, the promise every citizen expects from his or her government.

The State's \$8 billion budget deficit represented 17% of the total state budget, and a *pro rata* 17% cut in the local government fund would not only be understandable, but prudent. However, the proposed wholesale cut of the local government fund by a disproportionate amount of 25% in the first year and 50% in the second year passes the State's share of difficult decisions onto the local governments of this state, which have already engaged the unfortunate reality of their local financial crises.

The reduction in the local government fund is not the only issue. The Governor's proposed budget, already arbitrary in its calculation, goes further with a proposed disproportionate allocation of local governments' tangible personal property tax reimbursements ("TPP") and utility deregulation reimbursements ("UD"). The Governor's proposed budget represents a redirection of revenue by distinguishing

between local governments according to the percentage of their budgets that are funded by these sources:

- Local governments that fund more than 2% of their budgets with TPP, and that fund more than 2% of their budgets with UD, will get 30% reductions in the first year and 56% reductions in the second year;
- Local governments like Cleveland that fund less than 2% of their budgets with TPP will have their *entire* reimbursements *eliminated* in the first year;
- Local governments like Cleveland that fund less than 2% of their budgets with UD will have their *entire* reimbursements *eliminated* in the first year.

This distinction is arbitrary and is disproportionate to our contribution to the tax pool. It violates the expectations of the citizens taxed that they will receive the benefits which they are paying for in the form of essential local services provided by their local governments. It also undermines the principle that local governments may design their own frameworks in which to operate, based on unique, local needs without being constrained by an unfair redistribution of revenue.

## **DETAILED IMPACT AND IMPLICATIONS TO THE CITY'S GENERAL FUND**

Our review of the proposed State biennial budget demonstrates a severe and immediate adverse impact to municipal operations in the City of Cleveland. In addition to direct loss of state revenue, we will see impact from proposed cuts in program funding in various areas throughout the citywide enterprise. We have detailed these implications as well as an appropriate and equitable remedy.

Responsible fiscal management in the public sector requires executives, legislators and administrators to use business practices to realize efficiencies and reduce cost while at the same time ensuring continued delivery of service. The proposed State budget will limit Cleveland's ability to continue delivery of service by imposing workforce reductions. Below is a summary of the impact of these imposed reductions on workforce and service delivery.

### **Department of Aging**

The Governor's budget for the Ohio Department of Aging (ODA) is significantly reduced for 2012 and 2013. The funding for fiscal year 2012 is \$99.3 million reflecting an 86% decrease from fiscal year 2011 and the funding remains basically level for fiscal year 2013. The significant decrease is largely due to the transferring of funds for the following specific long term care programs to the Ohio Department of Jobs and Family Services: PASSPORT, Assisted Living, and PACE. In addition,

the funding for the Residential State Supplement Program was moved to the Department of Mental Health.

These moves are part of the Governor's Office of Health Transformation initiative. It is difficult to compare funding levels with the number of program transfers and to accurately decipher the impact. In consultation with the Western Reserve Area Agency on Aging (WRAAA), which distributes both the federal and state funds to providers in the five county service area, we developed a better understanding of the impact.

The PASSPORT program is a Medicaid waiver home care program that serves thousands of low income seniors, assessed to function at a nursing home level of care, allowing them to remain in their own homes with services rather than living in a nursing facility. The proposed State budget would cut PASSPORT's administration funds by 15%, provider rates by 3%, and senior care plans by 8% in 2012 and an additional 15% in 2013.

While the Cleveland Department of Aging does not receive funds directly from the State's PASSPORT program, these are program cuts that will ultimately result in decreasing service to a vulnerable population, and lead to an increase in requests for assistance from Cleveland's Department of Aging's already strained Supportive Services program and our new Aging and Disability Resource Center (ADRC).

Likewise, transferring the funding for the Residential State Supplement program from ODA to the Ohio Department of Mental Health may place the emphasis for this service on a different service population. This particular program can be helpful for low income seniors to access housing and service in a group setting. Once again, less service translates into more requests of current, already strapped, local provider agencies.

The Cleveland Department of Aging receives two grants from the WRAAA. These grants were awarded for two years, 2011 and 2012, dependent upon performance and the availability of funds. Both of these grants are largely funded with federal Older Americans Act (OAA) dollars. The Senior Community Services line item in the Ohio Department of Aging budget can be used to support these OAA dollars and that line item was cut by 10%. Reductions in grant funding result in a reduction of staffing and therefore, a reduction in service delivery.

While these are just some of the programs and services the Department of Aging and its area partners provide, the imposed budget cut proposals will result in a significant gap in services provided to one of the most vulnerable populations of the community.

## **Department of Building & Housing**

Although the Governor's proposed budget cuts will result in reduced staff and service throughout the Department of Building & Housing, the most significant impacts will occur in two department divisions: the Division of Construction Permitting and the Division of Code Enforcement.

### **Division of Construction Permitting**

Timely project plan review and permit issuance are both a significant source of general fund revenue and a means to ensure that key revenue generating economic development projects are not delayed.

The State-imposed budget cuts would weaken this Division which reviews development projects at a period of time when several large, noteworthy construction projects are emerging. Currently, one and one half examiners are assigned full-time to the Convention Center – Medical Mart project plan review, the Flats East Bank project plan review and the Casino Higbee Building project plan review. In addition, the City anticipates large construction projects at the Cleveland Clinic and the Tower City Casino, both of which will require review.

### **Division of Code Enforcement**

In 2010, the Building & Housing inspection resources and support staff conducted 85,988 property inspections (code enforcement and construction permits), issued 5,362 violation notices, initiated 2,069 court cases and processed the demolition of 1,130 condemned structures. The State-imposed budget cuts would result in a loss of personnel that will adversely impact the ability to maintain these levels of output in 2011.

Already understaffed, further staff reductions would negatively impact site inspections, rental property inspections and response to the more than 12,000 citizen requests for service annually.

## **Department of Finance**

### **EMS Reimbursements**

Cleveland EMS provides emergency medical services to the greater Cleveland area. Each year, Cleveland EMS provides services well in excess of the money it receives through its billed fees. Under the current Medicaid program, from 2003 to 2011, the City of Cleveland absorbed over \$19,000,000 in unreimbursed services.

The Medicaid program is shared by both the Federal and State governments in funding. In FY 2012, the Federal government's share will decrease by 6% which will result in the State's portion increasing to 43%. Due to the decrease in the federal share, the Governor's proposed budget is inherently designed to compensate for the

loss of federal funding by reducing Medicaid service provider reimbursement levels, including the City's ambulance transportation service. Medicaid service provider reimbursement levels to physicians and nursing home facilities will also be reduced.

Additionally, by 2014, as mandated by the Federal government, State Medicaid enrollment must expand to include additional constituents (i.e. unemployed, uninsured, etc). Currently, 2.2 million Ohioans (1 in 5) are covered by Medicaid<sup>1</sup>. By 2013, it is projected that this population would increase to 2.36 million Ohioans.<sup>2</sup> It appears that the increased population is proportionately unfunded by the Federal government.

With these changes, there is a high and certain probability that the City will be faced with an increased loss in revenue, as well as local unreimbursed healthcare and ambulance transportation services to this population. This will have a significant impact on the delivery of services due to loss in revenue as well as the fair and equitable cost recovery on services provided by Cleveland EMS.

## **Department of Public Health**

The Cleveland Department of Public Health (CDPH) largely relies on grant funding to deliver valuable public health services to residents that directly impact their quality of life. Reduction in funding for grants will translate into the loss of personnel and service delivery at the local level.

The following grants received from the State could potentially be impacted:

- Emergency Preparedness (CRI);
- Federal AIDS Prevention;
- Immunization Action Plan (IAP);
- Sexually Transmitted Disease (STD) Control; and,
- Substance Abuse Treatment.

One idea being discussed at the State level concerning the AIDS and STD programs is not allowing a granting agency to budget more than 35% for fringe benefits. This could potentially be a major concern for CDPH. Of the eight full-time employees on these two grants, six are over the 35% threshold. The total amount of the overage equates to \$35,000. More alarming is that it is not just a \$35,000 cut but a mandate for the city to incur additional costs for employee benefits over 35% for each State funded employee.

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<sup>1</sup> Governor's Office of Health Transformation. State of Ohio. Ohio Medicaid 101

<sup>2</sup> Ohio Department of Job and Family Services; Original Projection December 1, 2010 and Current Projection updated February 28, 2011 based on average monthly enrollment for all Medicaid populations on June 1

Perhaps the largest cut to CDPH funding could be to the Substance Abuse Treatment program. Despite an initial increase in the State's FY 2012 funding, FY 2013 calls for an 85% reduction in treatment services and a 100% reduction in Medicaid funding for treatment. In previous years, CDPH would receive roughly \$270,000 from the State to treat approximately 180 clients annually. That amount could become just \$30,000 by July 1, 2012. With county dollars accounting for a portion of the program CDPH would have to reduce staffing and the total annual clients receiving group, individual and outpatient counseling would be reduced by more than half.

Additionally, CDPH has incurred costs of \$60,000 per year the last two years for the seasonal flu program which continues to be reduced at the State level. For the last two years Cleveland has not been subsidized with either seasonal flu funding or doses. For 2011, CDPH has little to no funding available in its general fund budget for the seasonal flu program. The seasonal flu vaccine has been estimated at \$10 per dose for 2011. This means that in order to administer doses at the same level as last year, 6,837 doses, CDPH would need an additional \$69,600.

## **Department of Law**

For the Department of Law, the imposed reduction in staffing would seriously impact the City's ability to adequately respond to its legal needs and is premised on the faulty assumption that the Law Department's internal professional and support staffing can be reduced at the same time that outside-counsel spending is also reduced.

### **City Representation in Civil Litigation**

There were 533 lawsuits filed against the City in State and Federal Courts in 2010. In the area of civil litigation, a reduction in staff means a higher caseload per attorney which could lead to delays in timely completion of case preparation.

### **Criminal Investigations, Mediation and Prosecutions**

The Prosecutor's Office conducted 4,260 citizen intakes on criminal complaints in 2010. Since prosecutors are assigned to courtrooms, staff reductions can result in:

- Inadequate coverage of the 12 Municipal Court courtrooms and magistrate hearings;
- Substantial increases in the caseload of individual prosecutors; and,
- Delays in the effectiveness of the criminal-justice system.

Inadequate coverage of courtrooms means that cases may be dismissed for want of prosecution or because of a defendant's constitutional right to a speedy trial. Fewer

mediators mean that more neighborhood disputes may result in more serious criminal altercations and, as a result, more criminal cases.

### **Department of Law, continued:**

#### **Building, Housing, Health, Fire and Tax Code Enforcement**

The Law Department's Code Enforcement attorneys and staff prosecute violations of the City's various codes and advise city officials regarding the applicability and interpretation of those codes. A reduction in the number of Code prosecutors limits the City's efforts to improve the quality of life of the citizens of Cleveland by fairly and aggressively enforcing the City's building, housing, health, fire, and tax codes.

Staff reductions will affect the timely prosecution for Code violations in Housing Court; requests for search warrants and the review of files for the demolition of unsafe structures. To understand the scope of work, during 2010, this section handled more than 2,000 criminal cases, 1,456 search warrant requests and 1,233 demolition files.

### **Department of Public Safety**

The Governor's proposed budget will have a significant impact on the level and quality of public safety services provided to those who live, work, or visit the city of Cleveland. Although all safety services will be affected, the biggest impact will be in the Divisions of Fire and Police.

In response to the imposed budget cuts, the Department anticipates the need to close fire companies, cancel a fire academy training class that would have allowed for the replacement of retiring firefighters, and end the COPS in Schools Program and the Gang Resistance and Education Training (GREAT) Program at the end of the current school year. Basic police patrol services would be reduced and specialized units would be impacted.

The Cleveland Division of Emergency Medical Services planned to expand the number of ambulances in 2011 to meet the ever increasing needs of our community. The plan to increase the number of EMS ambulances serving the community from 15 during non-peak and 18 during peak hours to 15 ambulances 24-hours a day will be cancelled.

The loss of State revenue will also impact other areas of Cleveland Public Safety, including Animal Control Services, Emergency Preparedness and we would cease accepting arrested prisoners from other local law enforcement agencies, including RTA, CMHA, Cleveland Clinic, University Circle, and others, without the appropriate level of remuneration.

## **Department of Public Works**

The Department of Public Works provides basic City services, including waste collection, snow removal, street sweeping and resurfacing, the management of City facilities, and recreation programming. The Governor's proposed budget would severely impact the City's ability to provide these basic services.

### **Division of Waste Collection**

For this division, the proposed State cuts would translate into the loss of the City's ability to pick up 120 tons of waste per day. Due to the labor intensive nature of collecting waste, the remaining staff will be required to work more hours during the non-peak season (October – April), increasing the need for overtime and the possibility for injuries. Without an increased use of overtime, waste collection will be delayed for regular residential routes, large setouts, and evictions.

Ancillary service times will increase from daily to weekly or bi-weekly, based on staff availability. Dead animal collection and downtown and neighborhood receptacle collection will be delayed increasing public health risks. Commercial waste collection and residential and "drop-off" dumpster recycling services will be minimized, reducing revenues to the City. Finally, expansion of the automated waste collection initiative will be impacted.

### **Division of Recreation**

Providing recreation programming is a core service of the Jackson Administration, yet proposed cuts would reduce management oversight throughout the week, eliminate Saturday supervision by the recreation management team and reduce oversight of summer playground programs. Independent aquatic instructional programs will be reduced, as will our ability to provide organized sports programs at each recreation facility.

### **Division of Streets**

Proposed State funding cuts will result in a reduction of street sweeping on primary and secondary arterial streets. Street sweeping for special events will also be reduced. First shift residential street sweeping will be reduced from once a week to once every six weeks. The Citywide street sweeping cycle will decrease from six sweeps per season to three sweeps per season. Streets staff will be unable to post notification signs for residential street sweeping.

Snow removal times will be lengthened in the event of an early or late snow season. It is highly probable that overtime will be increased during these periods.

Street repair will see a reduction of patch material use from sixty tons to forty tons.



**Division of Traffic Engineering**

Weekend and second shift coverage for emergency traffic signal malfunctions will be impacted.

**Division of Park Maintenance, including Arbors and Cemeteries**

Vacant property clean-up would be reduced. The maintenance of gardens outside of the Rockefeller Greenhouse and ornamental beds will be reduced from two or three service visits to one service visit per year. The tree trimming cycle will increase from 26 years to 30 years. Response times for storm debris clean-up will be increased as will snow removal in City parks. Service requests such as selling graves and headstone setting and maintenance would be delayed.

**Division of Property Management**

A reduction in Property Management, the division that manages the City's facilities will translate into reduced cleaning of restrooms and common entryways and recycling services and cause delays in responding to HVAC equipment outages and maintenance. Delayed responses to heat emergencies in buildings cause escalated damage due to freezing plumbing systems and the resultant building damages rendering a building unusable.

Additionally, preparedness for ongoing building support functions during emergencies would be impacted, which could put the City's IT infrastructure at risk of catastrophic failure due to delayed response to alarms and equipment failures. These imposed reductions would adversely impact timeliness of the restoration of Life Safety Systems (fire alarms) after an actual alarm or system fault. Security lighting repairs for the exteriors of public buildings and parks would be delayed and could cause unsafe lighting conditions to temporarily exist. Maintaining emergency generator operation during actual emergencies would be compromised. The safe operation of boilers could be placed in jeopardy due to longer times between inspection, testing and chemical treatment. Lack of timely and accurate water testing and treatment causes boilers' operational life to be shortened and in extreme cases can cause catastrophic boiler failure.

**CONCLUSION**

The descriptions provided here provide insight into the real-life impact that the Governor's proposed cuts would have on Cleveland and our residents. And if the Governor's proposed budget remains unchanged, this impact will be felt across the board, as the City is forced to reduce allocations to all departments and divisions and make difficult decisions to reduce staff and reduce or eliminate services.

Responsible budget management requires difficult decisions. In the public sector, it also requires a focus on our bottom line: service to our constituents. As this paper

demonstrates, the proposed State budget shows a disregard for constituent services, particularly in large cities throughout Ohio. This proposed budget represents a decision to place the burden of solving the State's budget deficit on Ohio's urban centers. This approach will only serve to create more hardships in the future for the entire State of Ohio.

Therefore, as Mayor of the City of Cleveland, I urge you to amend the proposed budget to continue to support Ohio's urban core and achieve a more equitable distribution of the financial burden throughout the state. This can be done by:

- Reducing the reduction of LGF to 25% in total for the two year period which will allow for a more equitable sharing and distribution of State imposed taxes collected at the local level;
- Removing any proposed reduction to the Commercial Activity Tax as it was a partial replacement for loss revenue when the State imposed the elimination of collection of personal tangible property tax at the local level; and,
- Eliminate any proposed language that ties the loss of revenue to percentage of total revenues at the local government level. This proposal unfairly proportions loss of revenue to urban areas that are – in accordance with their size alone – the largest contributors to the targeted State revenue sources.

These measures would prevent the unequal redistribution of revenue, lessen the negative impact on our citizens' quality of life and our businesses' investment environment as well as protect the livelihood of hard-working local government employees.

**Presented by:**

**Frank G. Jackson, Mayor, City of Cleveland**

**Date:**

**April 6, 2011**